

**SOWELA TECHNICAL COMMUNITY COLLEGE
FOUNDATION**

FINANCIAL REPORT

DECEMBER 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

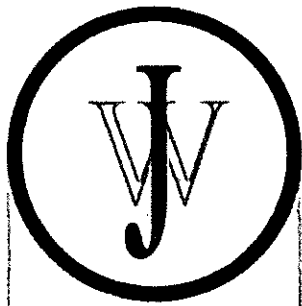
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**SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
LAKE CHARLES, LOUISIANA**

December 31, 2009

Table of Contents

Independent Auditor's Report.....	3
Basic Financial Statements	
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8
Report on Compliance with Affiliation Agreement with Sowela	
Technical Community College.....	14
Report on Internal Control over Financial Reporting	15
Schedule of Current Year Findings.....	16
Schedule of Prior Year Findings	18



JONALD J. WALKER III CPA LLC

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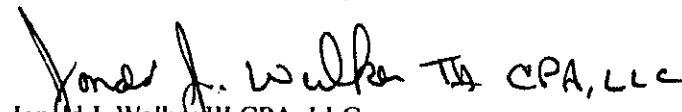
REPORT OF INDEPENDENT AUDITOR

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

I have audited the accompanying statement of financial position of Sowela Technical Community College Foundation (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sowela Technical Community College Foundation as of December 31, 2009, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Jonal J. Walker III CPA, LLC
November 15, 2010

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SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Statement of Financial Position
December 31, 2009

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,103,825
Pledges receivable - current	10,700
Pledges receivable - restricted, current	7,750
Refundable income tax	<u>480</u>
Total current assets	1,122,755
Other Assets	
Restricted Cash	<u>2,146,435</u>
Total other assets	2,146,435
Noncurrent Assets	
Pledges receivable - restricted, noncurrent	
Net of uncollectible pledges of \$39,025	10,900
Pledges receivable, noncurrent	
Net of uncollectible pledges of \$6,550	<u>9,500</u>
Total noncurrent assets	<u>20,400</u>
Total Assets	<u>\$ 3,289,590</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -
Net Assets	
Unrestricted	1,085,480
Temporarily restricted	1,980,120
Permanently restricted	<u>223,990</u>
Total net assets	<u>3,289,590</u>
Total Liabilities and Net Assets	<u>\$ 3,289,590</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Statement of Activities
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions received in current period	\$ 575,524	\$ 8,750	\$ 9,000	\$ 593,274
Interest income	<u>6,362</u>	<u>32,447</u>	<u>-</u>	<u>38,809</u>
Total Revenue and Support	581,886	41,197	9,000	632,083
 Net Assets Released from Restrictions	 219,582	 (219,582)	 -	 -
Functional Expenses:				
Program services	300,132	-	-	300,132.00
Supporting Services	<u>41,373</u>	<u>-</u>	<u>-</u>	<u>41,373.00</u>
Total Functional Expenses	<u>341,505</u>	<u>-</u>	<u>-</u>	<u>341,505</u>
Change in Net Assets	459,963	(178,385)	9,000	290,578
Net Assets at Beginning of Year	<u>625,517</u>	<u>2,158,505</u>	<u>214,990</u>	<u>2,999,012</u>
Net Assets At End of Year	<u>\$ 1,085,480</u>	<u>\$ 1,980,120</u>	<u>\$ 223,990</u>	<u>\$ 3,289,590</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services	Management and General	Fund Raising	Supporting Services	Total Expenses
Grants to community college	\$ 201,458	\$ -	\$ -	\$ -	\$ 201,458
Convention/Meeting Expense	-	311	-	311.00	311.00
Fund raising supplies	-	-	841	841.00	841.00
Fundraising Gala	-	-	15,590	15,590.00	15,590.00
Legal & Professional	-	21,055	-	21,055.00	21,055.00
Miscellaneous Expense	-	2,812	-	2,812.00	2,812.00
Postage	-	199	-	199.00	199.00
Recognition/Gifts	-	-	565	565.00	565.00
Scholarships	53,124	-	-	-	53,124.00
Uncollectible pledges expense	45,550	-	-	-	45,550.00
Total Expenses	\$ 300,132	\$ 24,377	\$ 16,996	\$ 41,373	\$ 341,505

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash flows from operating activities	
Cash donations received	\$ 603,124
Interest Received	38,809
Payments for Scholarships	(53,124)
Payments for fund raising	(16,996)
Payments for grants to community college	(201,458)
Cash paid for supplies and services	<u>(24,377)</u>
Cash provided by operating activities	345,978
Cash flows from investment activities:	
Short-term investments, net	153,944
Proceeds from maturity of long-term investments	<u>2,350,637</u>
Net cash (used in) investment activities	2,504,581
Net increase (decrease) in cash and cash equivalents	2,850,559
Cash and cash equivalents at beginning of year	<u>399,701</u>
Cash and cash equivalents at end of year	<u>\$ 3,250,260</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Increase in net assets	\$ 290,578
Decrease in pledges receivable	<u>55,400</u>
	<u>345,978</u>
Cash and Cash	
Cash and cash equivalents	1,103,825
Restricted cash	<u>2,146,435</u>
Total	<u>\$ 3,250,260</u>

Additional required disclosures:

1. Sowela Technical Community College Foundation considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There were no material noncash financing transactions during the year ended December 31, 2009.

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Sowela Technical Community College Foundation (Foundation) was organized on October 21, 1991, and is affiliated with Sowela Technical Community College. The Foundation is a nonprofit organization incorporated under the laws of the State of Louisiana for the purpose of raising funds to support programs and activities designed to advance, promote, or otherwise benefit Sowela Technical Community College. The Sowela Technical Community College Foundation is supported primarily through contributions from the community of Southwest Louisiana.

The Foundation is exempt from federal and state income taxes as a charitable organization under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, contributions to the Foundation are qualified as charitable donations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Foundation. Generally, the donors of these assets permit Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all restricted monies in banks and highly liquid investments with original maturities of three months or less.

The total cash held by the Foundation at December 31, 2009 includes \$892,688 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

Investments

The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2009, the Foundation's certificates of deposit totaling \$1,857,619 are entirely covered by FDIC insurance.

Restricted Investments

These investments consist of certificates of deposit restricted for various purposes as detailed in Note 5.

Promises to give/pledge

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable are net of any uncollectible pledges.

Revenue Recognition

Contributions and grants are recorded when awarded or pledged, except for reimbursements grants which are recorded as expenditures are incurred. All donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or amounts received that are restricted

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and/or supporting services benefited.

Income Taxes

The Foundation adopted the new provisions of the Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2009, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Note 2 – Restricted Cash

As of December 31, 2009 restricted cash was made up of the following:

<u>Description</u>	<u>Amount</u>
Now Scholarships	\$ 88,903
Endowed Scholarships	223,990
Construction of Conoco Philips Industrial Technology of Building Fund	<u>1,833,542</u>
Total	<u>\$2,146,435</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

Note 3 - Investments

Endowed donations and excess funds are invested in certificate of deposits through local depository banks, which are members of the Federal Reserve System. As of December 31, 2009, the Foundation's certificates of deposit totaling \$1,857,619 are entirely covered by FDIC insurance. The following schedule summarizes the investment return in the statement of activities for the year ended December 31, 2009. All investment return is classified as restricted.

Interest income	\$ <u>32,447</u>
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Note 4 - Pledges Receivable

Included in pledges receivable are the following unconditional promises to give:

	2009 Fund Raising
Undesignated	\$ 26,750
Designated (see Note 7)	<u>57,675</u>
Gross unconditional pledges	84,425
Less allowance for un-collectibles	<u>(45,575)</u>
Total unconditional pledges	<u>\$ 38,850</u>
Amounts due in:	
Less than one year	\$ 18,450
One to five years	<u>20,400</u>
Total pledges due	<u>\$ 38,850</u>

Individual pledges due in less than one year not received within one year are considered by management to be uncollectible.

Note 5 - Restricted Assets

Restricted assets described in Note 1 as of December 31, 2009, are as follows:

	Cash <u>Equivalent</u>	Pledges <u>Receivable</u>	<u>Total</u>
Temporarily restricted	\$1,922,445	\$ 57,675	\$ 1,980,120
Permanently restricted	<u>223,990</u>	<u>0.00</u>	<u>223,990</u>
Total restricted Assets	<u>\$2,146,435</u>	<u>\$ 57,675</u>	<u>\$2,204,110</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

Note 6 – Capital Assets

A summary of capital assets is as follows:

Automobile	\$ 1,000
Less accumulated depreciation	<u>(1,000)</u>
Net capital assets	<u>\$ 0.00</u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Purpose restrictions:	
Scholarships	\$ 146,578
Construction of Conoco Phillips	<u>1,833,542</u>
Industrial Technology Building	<u>\$ 1,980,120</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended December 31, 2009:

Grant to College for Construction	
(Industrial Technology Building)	\$ 166,458
Scholarships	<u>53,124</u>
	<u>\$ 219,582</u>

Note 8 – Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes as of December 31, 2009:

Scholarship endowment fund	<u>\$ 223,990</u>
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Note 9 – Affiliation Agreement

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit Sowela Technical Community College. Because of the close association of the Foundation with the College, an affiliation agreement was entered into by both parties on May 25, 2000.

Note 10 – Concentrations of Risk

As of December 31, 2009, funds on deposit with various financial institutions exceeded available Federal Deposit Insurance Coverage by \$892,688. It is the opinion of management that the solvency of the referenced financial institutions are not of particular concern at the time.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Notes to the Financial Statements
December 31, 2009

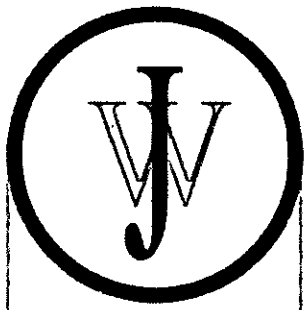
Note 11 – Grants to Sowela Technical Community College

Pursuant to the affiliation agreement between the Foundation and the College, which states in part “the purpose of the Foundation shall be to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the college.” The Foundation made grants totaling \$201,458 to the College:

Purchase of open insight software	\$ 10,000
Grant to aviation program	25,000
Funds to state through the College toward construction of technology building	<u>166,458</u>
Total	<u>\$ 201,458</u>

Note 12 - Subsequent Events

The management of Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 10, 2010, the date which the financial statements were available to be issued.



JONALD J. WALKER III CPA LLC

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Report on Compliance With the Affiliation Agreement With Sowela Technical Community College

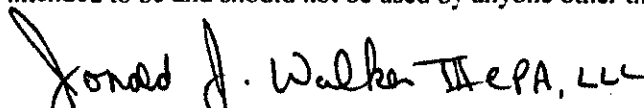
Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

I have examined Sowela Technical Community College Foundation's compliance with the affiliation agreement with the Sowela Technical Community College for the year ended December 31, 2009. Management is responsible for the Foundation's compliance with those requirements. My responsibility is to express an opinion on the Foundation's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In my opinion, Sowela Technical Community College Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2009.

This report is intended solely for the information and use of board members and management of the Sowela Technical Community College Foundation and is not intended to be and should not be used by anyone other than these specified parties.


Jonald J. Walker III CPA, LLC
November 12, 2010

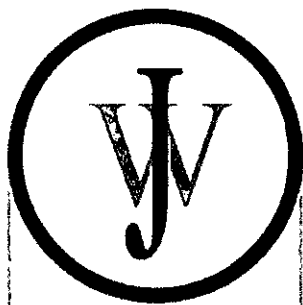
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Report on Internal Control over Financial Reporting

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

In planning and performing my audit of the financial statements of the Sowela Technical Community College Foundation as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, I considered the Foundation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Foundation's internal control.

My consideration of internal control was for the limited purposed described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in Sowela Technical Community College Foundation's internal control and presented in the accompanying schedule of findings and responses (2009-01, 2009-02) to be material weaknesses.

Sowela Technical Community College Foundation's response to the findings, identified in my audit is summarized in this report. I did not audit Sowela Technical Community College Foundation's response and, accordingly I do not express an opinion on it.

This communication is intended solely for the information and use of the Board of Directors and management, and others within the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Jonald J. Walker III CPA, LLC
Jonald J. Walker III, CPA, LLC
November 12, 2010

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Schedule of Findings and Responses
For the Year Ended December 31, 2009

Financial Statement Findings

2009-01

Criteria:

Effective internal control requires adequate segregation of duties among client personnel.

Condition:

Because of the entity's size and the limited number of accounting personnel, it's not feasible to maintain complete segregation of duties to achieve effective internal control.

Cause:

Sowela Technical Community College Foundation does not have staff responsible for its accounting functions and managerial duties.

Effect:

Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation:

To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response:

Management has responded that it has worked with the Sowela Technical Community College to implement supervision and review procedures. These procedures were extended beyond the College's accounting department to ensure that there is proper segregation of duties.

2009-02

Criteria:

The auditing Standards Board recently issued guidance to auditors relative to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of the system of internal control over financial reporting.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Schedule of Findings and Responses
For the Year Ended December 31, 2009
(Continued)

Condition:

In our judgment, Sowela Technical Community College Foundation's accounting personnel and/or those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Cause:

Sowela Technical Community College Foundation does not have staff responsible for its accounting functions and managerial duties.

Effect:

Without individuals in place who can be held responsible for the accounting/management functions of the Foundation, material misstatements within the financial records, or fraud could go undetected.

Recommendation:

The Foundation should hire or contract with an outside firm to perform its accounting/management services or execute a clearly defined accounting/management services agreement between Sowela Technical Community College Foundation and the Sowela Technical Community College, providing additional financial support, if necessary, to assist the College with hiring staff to fulfill these duties.

Management's Response:

Management has responded that it has discussed with the College the Foundation's need to provide assistance to the College to hire personnel to help with the accounting/managerial functions. Management has also discussed the possibility of hiring personnel on a part-time basis to meet its accounting and managerial needs. A detailed plan is currently being considered to that effect.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
Schedule of Prior Year Findings
For the Year Ended December 31, 2008

Financial Statement Findings

2008-01

Condition:

Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation:

To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current Status:

See current year finding 2009-01

2008-02

Condition:

In our judgment, Sowela Technical Community College Foundation's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation:

In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response:

See current year finding 2009-02